Increasing Exports in a Decreasing World Market

The Role of Developmental States in the ASEAN-4

Schmidt, Johannes Dragsbæk

Publication date:
1994

Document Version
Publisher's PDF, also known as Version of record

Link to publication from Aalborg University

Citation for published version (APA):
Schmidt, J. D. (1994). *Increasing Exports in a Decreasing World Market: The Role of Developmental States in the ASEAN-4*. Institut for Historie, Internationale Studier og Samfundsforhold, Aalborg Universitet.

DEPARTMENT OF DEVELOPMENT AND PLANNING
AALBORG UNIVERSITY
FIBIGERSTRAEDE 2
DK 9220 AALBORG Ö
DENMARK

ISSN 0904-8154

INCREASING EXPORTS IN A DECREASING WORLD MARKET: THE ROLE OF DEVELOPMENTAL STATES IN THE ASEAN-4

by

Johannes Dragsbaek Schmidt

DEVELOPMENT RESEARCH SERIES
DEVELOPMENT RESEARCH UNIT

TEL. +45 98 15 85 22
FAX. +45 98 15 32 98

WORKING PAPER NO. 35

September, 1994

Table of content

Increasing Exports in a Decreasing World Market: The Role of Developmental States in the ASEAN-4[1]

Introduction

For the past 25 years the ASEAN-4 has been among the fastest-growing market economies in the world.[2] Measured by the conventional yardstick of aggregate parameters average GDP growth rates have far exceeded the level of growth in other developing regions. Between 1971-80 the average was 7.4 percent with an inflationrate on 13.6 percent, 1981-90 saw a growth rate on 5.2 percent and a falling inflationrate to 7.5 percent.[3] Growth in population also declined. Between 1965-1980 the average was 2.6 percent and the 1980-1987 period 2.3 percent, respectively.[4] According to these simple figures it seems to be an established fact that after the beginning of the 1970s when the ASEAN-4 adopted an outward-looking strategy, growth rates fell approximately two percentage points. In the late 1980s, however, the rates of growth again surged mainly due to increased capital export from Japan but also caused by Southeast Asian countries began to operate with a detailed blueprint for 'Look East policies'.

According to table 1 major shifts happened in each country in production structures between 1970 and 1991. Agriculture as sectoral share of GDP fell from 35 percent to 18.9 in Indonesia. In Malaysia it was 17.3 in 1991 and it fell from 30.2 to 13.8 percent in Thailand. The case of the Philippines reflects an earlier push for industrialization, because the level was 28.2 percent in 1970 and barely changed to 22.8 percent in 1991. Industry changed significantly in Indonesia from 28 percent in 1970 to 41.1 percent in 1991. The sectoral share of industry in Malaysia in 1991 was 43.8 percent and in Thailand it jumped from 25.7 percent in 1970

---

1 Revised discussion-paper presented at the 10th Nordic Association for Southeast Asian Studies (NASEAS) conference, "How Free are the South East Asian Markets." Turku Åbo, Finland, 1993. I would like to acknowledge the comments of Anne Booth, SOAS, London University who acted as chairman of the panel where this paper was presented. Of course, any errors remain the sole responsibility of the author.

2 The ASEAN-4 comprises the big ressource-rich economies in Southeast Asia, Thailand, Malaysia, Indonesia and the Philippines.

3 Asian Development Bank, Asian Development Outlook, 1992, Manila, 1992, Table A1 and A9, pp.288 and pp.296, respectively.

4 James W. Morley (ed.), Driven by Growth. Political Change in the Asia-Pacific Region, Studies of the East Asian Institute, Columbia University, East Gate M.E. Sharpe, New York, 1993, p.6.

to 36.4 percent in 1991. Again the Philippines only saw a slight change from 33.7 percent in 1970 to 35 percent in 1991. Indeed, the service sector in the ASEAN-4 is the largest sector in terms of share of GDP except in Indonesia where the level was 37 percent in 1970 and 39.8 percent in 1991 and Malaysia with a minor adjustment from 44.1 percent in 1970 to 38.9 in 1991. Only in the Philippines and Thailand a jump occurred between 1970 and 1991 from 38.1 to 42.2, and 44.1 to 49.8 percent, respectively.

The rapid economic growth of the ASEAN-4 is widely claimed by the World Bank and neo-classical theorists to have been accomplished by export-oriented trade and liberal industrial policies. These claims have been followed by tougher trade policies like subsidized US exports of rice, sugar and corn; insistence that the Southeast Asian countries open their markets and that governments become more forceful in their application of intellectual property rights; and threats from Washington and Bruxelles that if they don't, trade and exports will be restricted. In turn the meteoric rise of manufactured exports leads to rising trade tensions as the rate of growth in the global economy gradually has slowed during the last two decades. ASEAN's trade partners tend now to focus on the capture of market shares by Southeast Asian exporters and the pressure this place on sectors where North American and European economies no longer hold a strong comparative advantage.(See also table 2 and 3). The significance of the North American market is reflected in table 4. It accounts solely for the doubling of developing countries exports to the new triad in the world economy. These figures also reveal Japan's import from developing nations increased only by 0.1 percent in 14 years while the figures for Europe to a large extent reflect that membership of the EC grew from 6 to 12 in the 1970s, thereby doubling imports.

Explaining High Growth

If we turn to look at possible explanatory models, there exist an unfortunate gap between work on the political economy in the last three decades which characterized the ASEAN-4 (all but the Philippines) and Southeast Asian Studies in general.[5] With a few notable examples most scholars have focused on descriptive studies in a neo-classical framework without paying much interest to the why and how systems change.

---

5 Richard F. Doner, *Approaches to the Politics of Economic Growth in Southeast Asia*, Journal of Asian Studies, vol.50, number 4, November 1991, p.819.

Although scholars have shown little interest in seriously analyzing the nature of state intervention in the ASEAN-4 some recognize its existence and confirm that the state do play an extensive overall role in sustaining growth.[6] In turn, comparative analysis of the quality of industrial policy in Japan and the NICs show a set of structural economic characteristics which focus on trade and investment policies. These studies suggest that it is the ability of governments to impose performance standards on subsidized sectors of the business community which underlies the rapid transition of a given industry from import substitution to export activity. Thus, cross-country differences in industrialization, trade and investment policies show state strategies are complementary but tentatively carefully synchronized.

In many ways comparisons between the experience of the 'Japanese model' and the ASEAN-4 are revealing, for these four countries do appear to be following such a model. The aim of this paper is twofold. It examines critically such comparisons and discuss the sustainability of successful economic growth in the ASEAN-4 within the context of a global perspective. The main question in this paper is how these economies managed to escape some of the worst effects of the world economic downturn and if economic growth is sustainable. The notorious exception, the Philippines, enhances a comparative approach to the discovery of structural characteristics in each state's response to changes in the international economy. Part of the answer to the why, how and when high economic growth occurred is assumed to lie in differences among the ASEAN-4 in the quality rather than the quantity of state intervention and industrial policy.[7] Part 1 considers a number of theoretical issues surrounding economic relations in the global economy and then it outlines the nature of the problem in Southeast Asia. Part 2 analyzes the basic reasons for economic expansion in the ASEAN-4. Economic growth in late-comers has (always) been attributable to state intervention -at least in the initial phases- with a high degree of protectionism. Several questions remain about the optimal timing, sectoral priorities and how protection of domestic industries and promotion of exports coexist. Each state has pursued an industrial-based growth strategy combining export-

---

6 Ng Chee Yuen, Sudo Sueo and Donald K. Crone, *The Strategic Dimension of the "East Asian Developmental States"*, ASEAN Economic Bulletin, Vol.9, No.2, November 1992, and Donald K. Crone, *State Social Elites, and Government Capacity in Southeast Asia*, World Politics, Vol 40, No 2, January, 1989.

7 'Industrial policy' is all types of 'creative thinking' with familiar policy tools such as the antitrust, trade, tax, labor, and other laws as well as establishing new institutions for the purpose of influencing resource allocations and the rate of technological innovation within an economy so that its performance will be improved. This definition of 'industrial policy' excludes macroeconomic policy, which is capable of changing the rates of savings and investment as well as influencing aggregate demand. See Kozo Yamamura, *Caveat Emptor: The Industrial Policy of Japan*, (pp.169-209). In Paul R. Krugman (ed.), Strategic Trade Policy and the New International Economics, The MIT Press Cambridge, Massachusetts London, England, 1988.

orientation (EOI) and import-substitution (ISI) with a degree of developmental paternalism. A strategy, well-known from the Japanese, Korean and Taiwanese model. The argument tentatively shows that, the most distinguished features of the ASEAN-4 economies have been monetary nationalism, protectionism and a combination of ISI and EOI strategies, initiated simultaneously.

I. Theoretical Anomalies

Anyone who claim to offer an explanation for the exceptional growth-economies of East Asia must be concerned to show how they fit the general theory. If late-comers with unusual high economic growth rates cannot be accommodated the theory itself is cast in doubt.

In the view of Adam Smith, the activities of government should be restricted to three roles: to protect society against a possible foreign invasion (by providing national defence), to protect citizens from each other (by providing law and order), and to create the necessary social and economic infrastructure (by providing public works and institutions). But Adam Smith's standard rules of economic theory does not apply worldwide. Moreover, there are those who maintain that neo-classical interventionism is necessary for an economy to acquire dynamic comparative advantage which is different from Adam Smith's invisible hand of the market. According to Edward Chen, export orientation is the best policy, and one might even ask whether the stage of import-substitution is necessary as a precondition for export orientation. "It seems economists increasingly believe that import substitution is not really necessary."[8]

Neo-classical theory claims that high growth in the economies of East Asia has been achieved due to the market forces and a limited role of government.[9] Opposing neo-classical theory and its later ramifications -neo-institutional economics (NIE)- is a growing body of political economy literature. It criticizes a whole series of externalities which cannot be accommodated in neo-classical and NIE studies:

---

8 Edward K.Y. Chen, *Trade Policy in Asia*, in Seeji Naya, Miguel Urrutia, Shelley Mark, and Alfredo Fuentes (eds.), Lessons in Development. A Comparative Study of Asia and Latin America, International Center for Economic Growth, San Francisco, 1989, pp.61 and 68.

9 To be sure even the concept of the state has been banned in World Bank and IMF language since the socalled neo-classical revolution took place. See also the discussion in John Toye, Dilemmas of Development, Basil Blackwell, Oxford, 1987.

a) they tend to be ahistorical,
b) they treat the role of the state as an institution not as an actor in its own right,
c) they avoid asking questions about the role of international power relations,
d) they avoid the structural level of theorizing and explanation.

With a narrow focus on institutions, like the market, transaction costs, information and thrust, NIE theory end up in a nonexisting ideal-type situation which hardly will be fulfilled. In short, it seems apparent that the self-regulated market or imperfect market that is exalted in theory is rare. Economists almost always discuss the market at a high level of abstraction; but there is remarkably little discussion in the literature about the workings of actual markets.

Important to this inquiry, however, is the fact that this type of thinking becomes not only an ideal but also a policy-prescription used to impose a particular kind of policy on the developing countries. Structural adjustment (SAP) and stabilization programmes have proved to be disastrous, especially in the Philippines.[10] Nevertheless, the NIE literature could prove useful to give partial insights from small case-studies, even if it provides a simplified picture of the role of the state and government policy.

One example of an attempt to apply NIE and neo-classical theory is provided by The World Bank Report 1991. It elaborates four general features of East Asian policies and interventions that are important. First, these economies were noted for their outward orientation. Second, East Asia made sizable and efficient investment in people. Third, the macroeconomic discipline of the public sector set an example for the entire economy. Public sector discipline in spending ensured that rents from government interventions were minimized. And fourth, institutional development was crucial to the success. The state supported the market, rather than supplanting it.[11] This 'minimalist' view of the state can underpin an interventionist industrial policy and development strategy, but its proponents do not support restrictions on trade. Mainstream neo-classical tradition see the state as an agent with additional, if imperfect, knowledge and foresight.

---

10 I do not intend to evaluate IMF and World Bank programmes in this paper but I want to draw the attention to the fact that policy elites in the ASEAN-4, apart from the Philippines, had a remarkable success in avoiding some of worst outcomes of multilateral intervention. But for the case of IMF/World Bank pressure in the Philippines see Charles Lindsey, *The Political Economy of International Economic Policy Reform in the Philippines: Continuity and Restoration*, in Andrew MacIntyre and Kanishka Jayasuriya (eds.), The Dynamics of Economic Policy Reform in South-East Asia and the South-West Pacific, Oxford University press, Singapore, 1992, pp.74-93.

11 World Bank, World Development Report 1991, Oxford University Press, New York, 1991.

In development discussion, the success of Japan, the NICs and to some extent the ASEAN-4 is often held up as an example of the rewards to market-oriented, outward-looking economic policies. But in contrast to the neo-classical (and World Bank) explanation, a number of scholars have suggested that in a late-comer, state policies help to protect, promote, and rationalize industry. The line of this argument emphasize the elements of policy that prove critical to maintain economic growth and develop industry.[12] This framework stress' the importance of the class base and the relative autonomy of the state, the administrative capacity of the state, the capacity for long-run decision making, and the role of intermediate levels of state intervention in the formulation and execution of a selective industrial policy.

All late-comers from the United States, Germany (Preussia) to Japan have used state intervention, regulation and protectionism to breed an indigenous business class. Hence, the so-called 'Japanese model' is not unique and cannot be related to any cultural explanation. It is simply a matter of national and international power relations or to put it another way, politics. On this background, it is not surprising that Sukarno, Suharto, Mahathir, Marcos, Ramos, Sarit and Chuan, not as individuals but as representatives of the state, tried to nurture and support a relative base of strong national and competitive conglomerates. The ethnic Chinese factor only enhanced this process acting as a catalyst for nationalist policies and promotion of state-led economic growth.

These considerations are especially germane in light of the challenge posed by what has come to be known as 'globalization'. The international power relations is assumed to play an overall determining role when it comes to success or failure of any institutional set-up and attempts to catch-up in the world economy. Following this proposition the next section discuss economic policy-making and trade related confrontations in the contemporary global context.

Free Trade and Protectionism. False Dichotomy or Idealism?

A country's growth can be faster if it restricts trade to some degree. In part, this is because the world has changed. The classical case for free trade may in theory have been in tune with

---

[12] See the discussion in Robert Wade: *The Role of Government in Overcoming Market Failure: Taiwan, Republic of Korea and Japan*, in Helen Hughes (ed.): Achieving Industrialization, Cambridge University Press, Cambridge, 1988. Robert Wade & Gordon White: *Developmental States and Markets in East Asia: An Introduction*, in Gordon White (ed.): Developmental States in East Asia, Macmillan, London, 1988. Robert Wade: *East Asia's Economic Success. Conflicting perspectives, partial insights, shaky evidence*, World Politics, Vol.44, No.1, January, 1992.

the workings of the economy of 1880 or even 1950 but not with the world economy of the last three decades. "Although most economists... continue to have a strong belief in the desirability of free trade, the economic analysis on which the classical case for free trade was based is beginning to look increasingly unrealistic."[13]

In fact, we are witnessing today a continuation of the same prosaic struggles for national commercial advantage -the very stuff of international politics- that characterized the world trading system during the mercantilist period (1500-1775), the late nineteenth century and the 1930s.[14] The increasing importance of strategic trade policies after the breakdown of the Bretton Woods system in the early 1970s and the use of selective import restrictions or demands of 'voluntary' export restraints are clearly signals that the international economy is entering a new stage.

Such neo-mercantilist policy remains that there is no good argument why trade liberalization would necessarily lead to technical efficiency and high productivity. Countries with liberal trade regimes may be specialized and efficient in some open sectors but highly inefficient in others. Protectionism helps to catch up on technology and firms thus have an incentive to move to the technology frontier. There is no real dichotomy, therefore, between export promotion and protectionism. It is quite possible to have an export-oriented economy which is protectionist in many sectors.

A strategic trade policy is one whereby states and policy elites take action that gives commercial firms a credibility which they could not otherwise achieve. And one can safely say that technology stands at the center of such a policy. In a sense, we are concerned here with identifying the optimal way to combine protectionism, export promotion and international investment. Strategic trade policy maintains that comparative advantage can be changed through learning, and through government action. This has been clearly shown by the East Asian countries which deliberately created a competitive advantage through judicious interaction of government and private business.[15]

---

13 Paul R. Krugman, Strategic Trade Policy, op cit. pp.5.

14 For a brief exposition see Richard Pomfret, Unequal Trade. The Economics of Discriminatory International Trade Policies, Basil Blackwell, Oxford, 1988, pp. 1-19.

15 On East Asia see among others, Alice H. Amsden, Asia's Next Giant. South Korea and Late Industrialization, Oxford University Press, New York, 1989, Chalmers Johnson, MITI and the Japanese Miracle, Stanford University Press, California, 1982 and Chalmers Johnson, *The Nonsocialist NICs: East Asia*, International Organization, Vol.40, No.2, Spring 1986. On Southeast Asia see Gavin Boyd, Pacific Trade, Investment and Politics, Pinter publ., London, 1989, pp. 44-49 and pp. 138-141.

Strategic trade policy is in fact the neo-classical catchword for neo-mercantilism but its substance is essentially the same. The essence of both lies in the efforts to promote national prosperity and to safeguard national interests through 1) shielding the national economy against outside influences and 2) aggressive and discriminatory policies against foreign competitors. The next section examines changes in the prospects for neo-mercantilist trade and investment in the global economy.

Thirty Years: Growth, Crisis and Neo-mercantilism in the Global Economy

At first glance, it would seem that the post-war domestic and international economic order could be described as a gradual metamorphosis. Until the 1970s there were a series of major trade policy reforms under the auspices of the General Agreement on Tariffs and Trade (GATT) which affected mainly the developed countries. However, few people realize how modest the coverage of the Agreement really is. GATT does not cover agriculture; it does not cover services; and it does not cover international financial flows in general. It only covers international trade in industrial products but, even here, there are important exceptions such as the Multifiber Agreement, which takes out textiles and clothing. It does not cover, either, other so-called sensitive sectors like automobiles and steel. All in all, if GATT covers 10 percent of international economic and financial flows, this estimate will be on the high, rather than the low side.[16] This underlines the importance of the Uruguay Round which, among other things, is an all-out attempt to bring agriculture, services and textiles and intellectual property rights under the GATT umbrella. But it may prove illusory. Even if a splendid phoenix rises out of the ashes of the Uruguay Round, as a new regulatory body with extensive powers, developing countries will be under continuous pressure and forced into bilateral negotiations with the US EU and Japan across the board on a wide range of issues. Trade is also increasingly linked with social and labour rights, the environment and competition policies. And to be sure the major problems of market access will remain unsolved.

The crisis of the 1990s - as was that of the 1930s - has been the crisis of the liberal economic order. The upheavals in the 1990s have been the result of the dissolution with the post-war consensus on economic order. As early as 1973 the Bretton Woods system came to an end and so did the system of fixed exchange rates which meant the loss of international financial

---

[16] Louis Emmerij, Globalization, Regionalization and World Trade, Columbia Journal of World Business, Summer 1992, vol.XXVII, Number.II., 1992. See also the discussion in Nassau A. Adams, Worlds Apart. The North-South Divide and the International System, Zed Books, London and New Jersey, 1993, pp. 189-200.

discipline. By its actions in the 1960s and 1970s, the US had forfeited its role of monetary leadership.[17] Trade tensions across the Pacific have also been exacerbated by high and persistent US trade deficits, which provide the excuse for threats of retaliation by using the 'Super 301' section of the US trade legislation. Another defensive response to intensive competition has been a widespread drift away from non-discriminatory multilateralism towards discriminatory, bilateral or regional, solutions to trade problems.[18] This is partly a response to the internal crisis in North America and the global economic downturn and recession.

Global GDP declined in 1991-92 and is expected to decrease further in 1993.[19] Moreover, the underlying long-term output growth in the world economy is now slowing down, and sluggish growth rates in productivity and GNP in the industrial countries are strengthening protectionist tendencies and regionalism. (See figure 1 and 2)

In the three decades prior to World War One, the volume of world trade had grown by an average of 40 percent per decade. But by the thirties, it dropped drastically to 14 percent per decade. The unstable nature of global markets had triggered the collapse of capitalism in the 1930s as goods went without buyers. Turning to the period between 1950 and 1973 output went up 180 percent in the advanced capitalist countries.[20] Yet, by the mid 1970s onwards surplus capacity produced new clashes of economic interests between states. Today, the protectionism and competitive depreciations are in many ways concerned with national management (and the international non-management) of surplus capacity.[21]

---

17 Robert Gilpin, The Political Economy of International Relations, Princeton university Press, Princeton New Jersey, 1987, p.142. See also pp.131-170 and chapter 8.

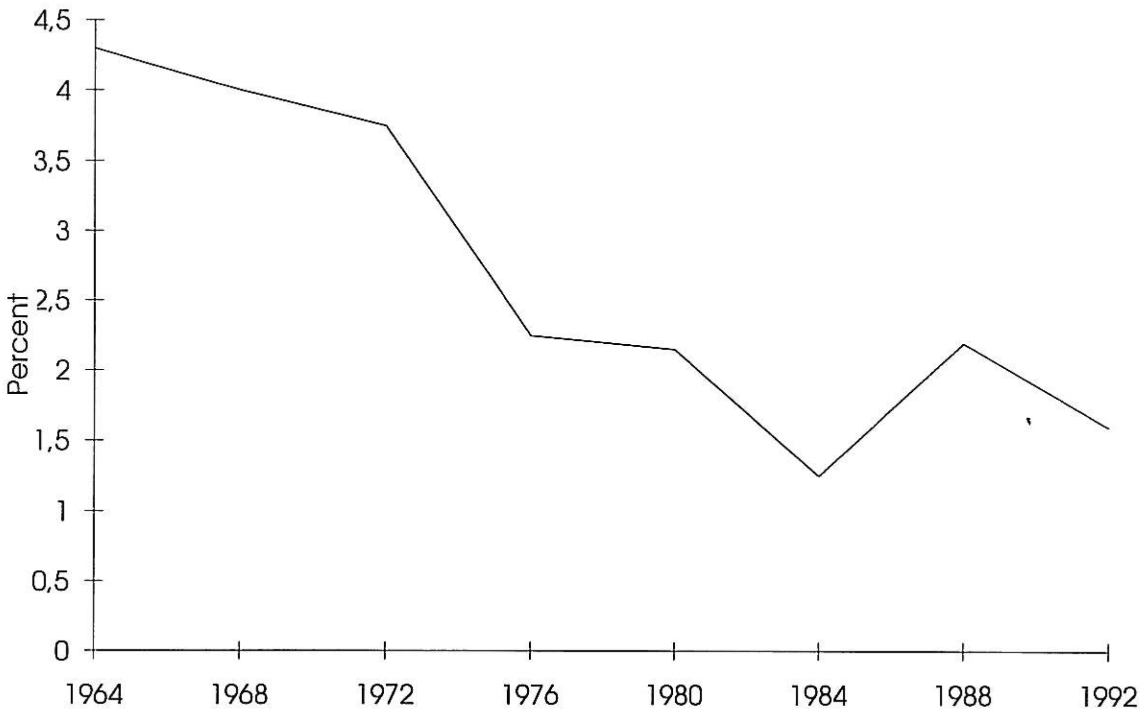
18 K.Y. Tan, M.H. Toh, and L. Low, ASEAN and Pacific Economic Co-operation, ASEAN Economic Bulletin, Vol.8 Number 3, 1992.

19 The World Bank, Sustaining Rapid Development, East asia and the Pacific Regional Development Review, Office of the Vice President East asia and Pacific Region, World Bank, Washington DC, 1993, p.3.

20 See also Susan Strange, States and Markets, Basic Blackwell, New York, 1988, p.167.

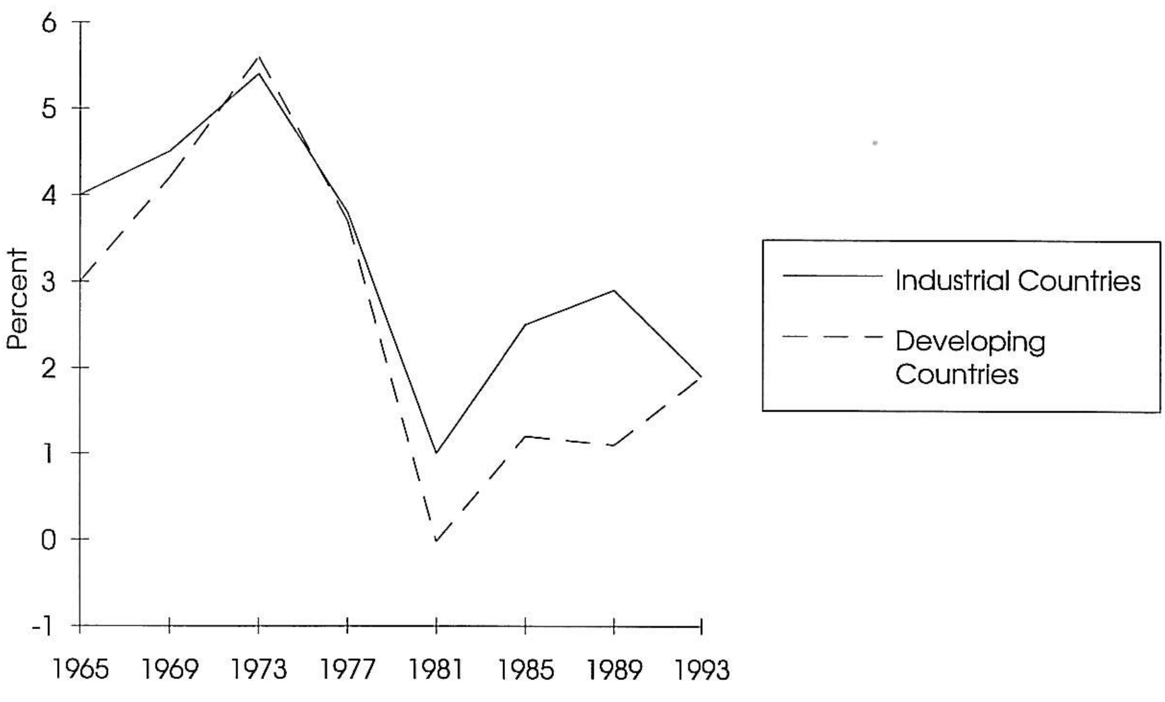
21 Susan Strange has defined surplus capacity as "a situation in which demand is insufficient to absorb production at prices high enough both to maintain employment and to maintain profitability for all the enterprises engaged." Susan Strange, *The management of surplus capacity: or how does theory stand up to protectionism 1970s style*? International Organisation, Vol. 33, No. 3, Summer, p.304fn.

Figure 1: Productivity growth in the OECD, 1965-92 (real GDP per employee)



Source: World Bank staff estimates

Figure 2: Growth in per capita GDP in industrial and developing countries



Source: World Bank staff estimates.

Even with increasing shortage in the world you can take any product and simply see there are a 30 percent surplus capacity in the production.[22] In short, the problem is, that the capitalist world economy is once again in a situation with overproduction and overcapacity on the world market. Because, "the reproduction of similar structures of production introduces a secular tendency towards the creation of surplus capacity in substantial areas of manufacturing since internal and external economies of scale compel a level of production which most countries cannot sustain through domestic consumption alone."[23] After the cold war has come to an end the economic rationale and impetus for absorbtion of exports from the NICs and Would-be-NICs is contrary to political and ideological sentiments. The newly emerging countries on the export-led growth strategy now have to compete with the industrialized countries in supplying high quality and competitive manufactures.

Taken together these trends call for new theories and considerations about the functioning of the global economy and the role of developing countries in this context. It leads to the debate on neo-mercantilism where it is often difficult to distinguish expectations and the perception of events from actual developments and interests. On the one side are those who are concerned with the real world of trade policy on a daily basis: government officials and representatives of private business. On the other side are academic economists and political scientists - people who *think* about trade policy rather than make it or cope with it. The former are those people engaged in daily struggles to defend and enhance national welfare and employment. The latter are economists who are suppressed by the "hegemony of the neo-classical paradigm...which has continued to be a fertile source of sterile theories."[24] This situation is reflected in the international economic conflicts which are proliferating and seemingly will not be resolved within the existing international and multilateral framework. These conflicts arise out of basic structural differences in national economic systems which are coming into progressively closer contact and this furthermore points to the importance of power in the international trading system.[25]

---

22 Interview with Lester Thurow, *Dark Future of the West*, Berlingske Tidende, Copenhagen, 18 July, 1993 (my translation).

23 Gautam Sen, The Military Origin of Industrialization and International Trade Rivalry, St. Martin's Press, 1984. Quoted from Gilpin, The Political Economy, op cit. pp.113.

24 Jeffrey Henderson, *Against the Economic Orthodoxy: On the Making of the East Asian Miracle*, Economy and Society, Vol.22 Number 2, 1993, pp.200-201.

25 For a brief albeit comprehensive approach see L. Rangarajan, *The Politics of International Trade* in Susan Strange(ed.), Paths to International Political Economy, Allen & Unwin, London, 1984, p.152.

All countries can, in theory, increase their productivity. But all cannot improve their competitiveness. When they all try simultaneously, the result is invariably more recession and more unemployment.[26] Paradoxically, there is a sense in which neo-mercantilism, the pursuit of a trade surplus for its own sake or in the belief that a trade surplus maximizes national wealth, has never been so central as it is to the evolution of the present world economy.[27] In the post-cold-war period neo-mercantilism appears in the guise of the more extreme versions of export promotion or import substitution, and "we begin to observe policies that judiciously combine export promotion and protectionist measures. We would seem to be moving in a direction where the clear-cut distinction between free trade on the one hand, and protectionism on the other, becomes increasingly blurred."[28]

In view of recent developments in international economic policy it is quite clear that traditional protectionist measures - which had been drastically lowered as a result of previous GATT Rounds of Negotiations - are rapidly being replaced by all kinds of non-tariff barriers such as 'voluntary' trade restrictions, technical norms, anti-dumping measures, safeguards, and bureaucratic harassment.[29] The industrialized countries also impose 'reciprocity' which, in layman's language, means that they agree to open up their markets for a certain product, but only on condition that the exporting countries open up their own markets. This is a continuation of 'unequal exchange' which developing countries cannot support. Even the notion of reciprocity in GATT is fundamentally neo-mercantilist in that it makes no sense for trading nations to offer to lower their own trade barriers in return for reduction of the partner's trade barriers when each nation could reap potential gains from unilateral trade barrier reduction.

To sum up, the industrialized countries have a strong protectionist tradition which is clearly reflected in the advent of the EC common market. The proponents of regionalism in Europe (EC/EU), North America (NAFTA), and East Asia (EAEC) presents it as an alternative to multilateralism. Although the nature of these three blocs is very different, they have at least one thing in common. It is the tendency to have free trade *within* these blocs but protectionism

---

[26] Address of the Secretary General of UNCTAD Kenneth K.S. Dadzie, UNCTAD Bulletin, Number 20 May-June 1993, p.3.

[27] T.N. Srinivasan, *International Aspects: Introduction to Part 5*, in H. Chenery and T.N. Srinivasan(eds.), Handbook of Development Economics, Vol.II, Amsterdam, North-Holland, 1989.

[28] Emmerij, Globalization, op cit. pp.10.

[29] Suhadi Mangkusuwondo, *Trade Policy as a Strategy for Structural Adjustment*, in Ungku A. Aziz, (ed.), Strategies for Structural Adjustment. The Experience of Southeast Asia, International Monetary Fund & Bank Negara Malaysia, Washington, 1990, p.91.

towards third countries. The lesson for the ASEAN-4 has been that protectionism and exceptionalism more than a theoretical commitment to free trade must be accomplished in order to fulfil the catch-up strategy. Therefore, the ASEAN development model, extremely dependent on trade, is also learning from Japan, especially if we turn to look at the role of the state.

II. The Emergence of the Southeast Asian Economies and the Role of Developmental States: ASEAN-style

The states of the ASEAN-4 differ markedly in the extent to which government economic policy-makers can make decisions in an environment relatively insulated from immediate political pressures representing special interests. In Indonesia, Malaysia and to some extent Thailand, technocrats and bureaucrats are able to take a broad and long-term view of the national interest defined according to "rational" economic criteria, whereas in the Philippines "irrational" politicy considerations seem to predominate. The observation made in 1984 still prevails: "The extent to which "irrational" political pressures prevent the pursuit of "rational" economic policies depends on the nature of the political system."[30]

All four ASEAN states have adopted political forms in which authoritarian characteristics are to a greater or lesser degree prominent. The national leaders of the ASEAN-4 were favoured with the menu during the American intervention in Vietnam mainly due to the advice from a number of prominent scholars. In the early 1960s they argued for the need of a strong government capable of imposing order on society and implementing policies in the interest of economic development.[31] Under relatively authoritarian rule, it was hoped that, the government could formulate and implement developmental policies free of the self-interested political pressures to which governments had to respond under unrestricted democracy. Backed by a powerful security apparatus capable of protecting the regime from political challenges, the government could then place economic policy-making in the hands of technocrats and administrators whose policies were expected to stimulate rapid economic growth and industrialization.

---

30 Harold Crouch, Domestic Political Structures and Regional Economic Co-operation, ASEAN Political Studies, ISEAS, Singapore, 1984, p.3.

31 Samuel Huntington, Political Order in Changing Societies, Yale University Press, New Haven, 1968 but see also Chalmers Johnson, Revolutionary Change, Little Brown, Boston, 1966.

I have elaborated on the question of developmental state capacities in the ASEAN-4 compared with the NICs in another context.[32] This is not the place to evaluate this debate rather a few points can clarify the argument. The state has been a central and essential actor in economic and political arenas and vital to both economic growth and political stability.[33] In addition, state elites have had to struggle to construct and maintain political stability, which is not simply a derivative of found cultural values. Even after the period of so-called deregulation in the eighties and the beginning of the nineties not much has changed. Only on the surface, to satisfy demands from the international institutions, the World Bank, IMF and GATT, some peripheral activities have been sold out. A high protection of sensitive sectors is still reinforced throughout all four countries again with the important exception of the Philippines. This is clearly illustrated in the institutional and political framework of Association of Southeast Asian Nations.[34]

Peasant organizations, the working classes and trade unions have been excluded from effective political action in the ASEAN-4 countries over the last twenty-five years, as also in the NICs, although they had been quite prominent during the earlier years of turbulent mobilization politics in the immediate post-colonial period. Moreover, female labour has been subordinated used as a stable cheap reserve-army in the export-oriented sector, notably the electronics and semi-conductor industries.

The rationale behind the Southeast Asian version of the developmental state has been the attempts by technocrats to forge an industrial partnership based on the 'Japanese model'. It is a partnership among bureaucrats and entrepreneurs that has an industrial policy and a trade strategy. Freedom of the market is not considered a desirable goal in itself, but only one of several instruments for achieving predetermined effects that are subordinated to the ultimate

---

32 Seminal attempts were made in Johannes Dragsbaek Schmidt, In the Shadow of the Pacific Century. - Comparative Perspectives on Externalities Influence on Economic Policy-Making in Southeast Asian Would-be NICs, Working Paper No.31, Department of Development and Planning Aalborg University, Aalborg, 1993. Johannes Dragsbaek Schmidt, ASEAN i en forandret international arbejdsdeling, (ASEAN in a Changing International Division of Labour), Center for Udviklingsforskning, Den Ny Verden, Copenhagen, Vol.26, Number 2, 1993.

33 Crone, States, Social Elites, op cit. pp.268.

34 Despite 25 years of lip-service to promoting 'intra-ASEAN trade', the reality is that high effective tariffs and quotas have hardly come down in the region. A report sponsored by the ASEAN Chambers of Commerce found that although fine-sounding agreements to cut tariffs are made regularly (at least within ASEAN), their effects are negated by 'distended exclusion lists of so-called sensitive items'. 'Thailand, for example, has put about 1.600 items covering 63 per cent of all goods it trades on the exclusion list'. See *Asian Wall Street Journal Weekly*, 13 July 1987, reporting on the results of a study group chaired by the Malaysian businessman Paul Leong.

goal of industrial expansion and economic growth. Even if business classes have been excluded from political action,[35] it is the ultimate goal of the state to incorporate and guide investment, and business in general, through various policy incentives and subsidies.

The Japanese-type-capitalist developmental state has a number of fundamental structural features: stable rule by a political-bureaucratic elite that does not accede to political demands that would undermine economic growth or security; cooperation between public and private sectors under the overall guidance of a pilot planning agency; heavy and continuing investment in education for everyone, combined with policies to ensure the equitable distribution of national income; and a government that understands the need to use and respect methods of intervention based on the price mechanism. Furthermore, the state control the allocation of bank finance and there has been a very limited role of foreign investment.[36]

Each of these fundamental features exists in the Japanese and NIC model with differing weights, patterns of historical evolution, and tradeoffs arising from stressing one more than others. Although, this is not the case in the ASEAN-4 where the capacity and autonomy of the state has severe external constraints which limited its room of manoeuvre there are both similarities but also significant differences. Apart from the Philippines, policy elites have pursued a triple strategy. First element is the developmental state which has the following functions:

1) the exclusion of labor and to a certain extent sectoral interests in society,
2) economic growth has been the legitimizing principle for an authoritarian practice providing the necessary prerequisite, namely, political stability,
3) a number of policy-making institutions, usually the Ministry of Finance and the Central Bank, have had near complete autonomy to formulate and implement monetary and financial policies while pilot-agencies[37] coordinate industrial and trade policies, respectively. However, the World Bank and IMF have occasionally succeeded to induce limited market opening pressures in periods with economic tension.

---

35 Crouch, Domestic Political Structures, op cit. chapter 1.

36 Johnson, MITI and the Japanese, op cit. and Chalmers Johnson, The NonSocialist NICs, op cit. pp.565. For a detailed critique see Johannes Dragsbaek Schmidt, In the Shadow, op cit. pp.32-35.

37 Pilot and planning agencies with a coordinating role in the ASEAN-4 are Bappenas in Indonesia, EPU in Malaysia, NESDB in Thailand and NEDA in the Philippines.

The second element of the strategy is what I will term the non-welfare and non-redistributive objective. The rationale behind this objective is a strong belief among technocrats in the neo-classical theoretical legacy - the theory of trickle-down- but contrary to what the multilateral institutions and the technocrats expected this approach produced a highly non-egalitarian outcome on almost all parameters. This outcome stands in stark contrast to the NIC experience.

The third element consists of the neo-mercantilist strategy. The most distinctive features of neo-mercantilism - ASEAN-style - are:

1) monetary and financial nationalism, but in practice, conservative and pragmatic,
2) intervention in the marketplace through the price-mechanism, i.e. the anti-agricultural price bias(see below),
3) protectionism and synchronized strategic trade policies or in other words the attempt to capture world market shares from a protected homemarket,
4) industrial policies emphasizing implementation of ISI and EOI simultaneously.

The role of the developmental state in Malaysia, Indonesia, Thailand and the Philippines has been a more modest one compared with Japan or the NICs. Nevertheless, certain developmental policies are important and will be stressed in the following.

Industrial Policies and Protectionism. Learning from Japan!

As already seen, the principal thrust of ASEAN foreign economic policy since multilateral intervention in 1965 has been overseas exports from a protected home market. This is actually still the overall economic strategy of Southeast Asian policy elites, apart from the Philippines. During the Marcos regime attempts were made to increase developmental capacities of the state and coordination with business but it ended up in cronyism, nepotism and despotism.

Part of Japan's successful industrial policies, for Japan, has determined an unequal trade relationship with the NICs and ASEAN. For one, the US remains a giant trading partner for the East Asian countries. Even as the share of exports from the NICs to Japan edged up from 10.1 percent in 1980 to 12.5 percent in 1989, the share that went to the United States jumped from 19.3 percent to 30.0 percent. The export from the ASEAN-4 to Japan, meanwhile, declined from 34.5 percent of its total exports in 1980 to 24.3 percent in 1989, while its exports to the

North American market rose from 24.8 percent to 30.5 percent.[38] However, "it can be argued that the Japanese role in Southeast Asian trade and f.d.i. has a strong 'neo-colonial' flavour."[39]

Regulation of FDI is one of the features where the developmental state, ASEAN-style, deviates from the 'Japanese model'. Indeed, FDI is the most important single factor which explains the phenomenal increase in the growth rate in the late 1980s. Double-digit growth rates in Thailand and, although on a smaller scale, also in Malaysia and Indonesia are the result of a tremendous upsurge in FDI. The economic policies of the ASEAN-4 in varying degrees interact with the effects of Japanese measures and the expanding activities of Japanese firms. At the same time, though, they are being challenged to cope with dangers of increased external dependence that could affect the development of domestic structures. As illustrated in figure 3 Japanese FDI increased dramatically after the Yen appreciation in 1985 and became the ultimate foundation for strong economic growth in the ASEAN-4. Since the Plaza Agreement in 1985, the *endaka*[40] was responsible for the abruptly increase in Japanese FDI, and growth rates in Malaysia and Thailand, subsequently, reached phenomenal heights while Indonesian and Filipino growth rates were substantially lower reflecting lower levels of FDI.

To counter the rise in production costs unleashed by the Plaza Accord, Japanese companies frantically sought sites where they could relocate their labor-incentive production processes. Since production costs in the traditional recipients of such transfers, the NICs, were also soaring as a result of a combination of rising living costs and US-imposed currency appreciation, Southeast Asia became the main destination of the capital outflow. However, the outline of figure 3 is highly optimistic. Exports have undoubtedly increased and high economic growth is dependent on Japanese FDI, but job creation has more or less stagnated and the trade balance, which is usually a good indicator of the solidity of economic development, suggests a negative response, overwhelmingly to Japan's advantage.[41]

---

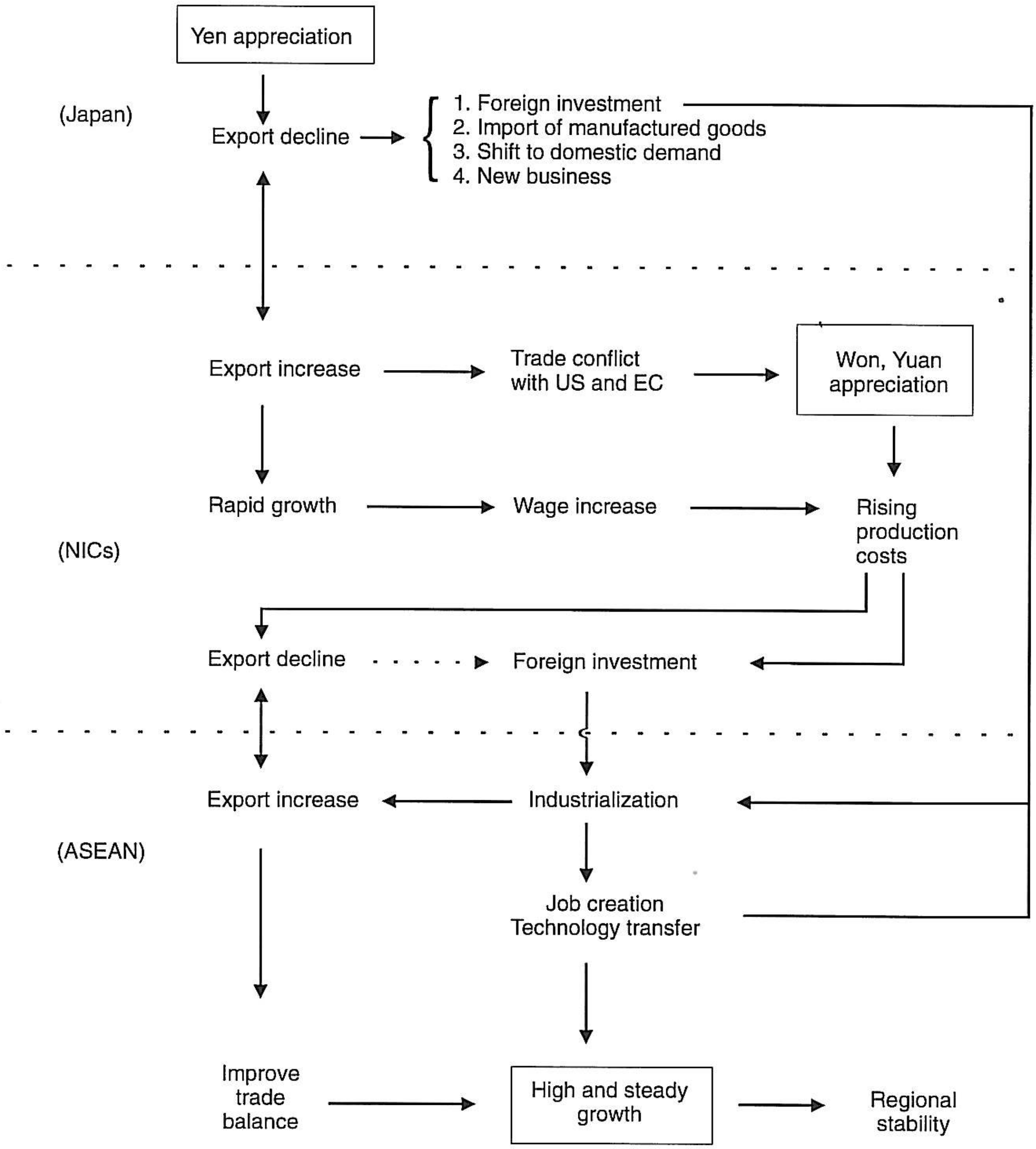
38 IMF data. Cf Tasuku Takagaki, *Dynamic Growth as an Antidote for Trading Blocs*, Economic Eye, Keizai Koho Center, Japan Institute for Social and Economic Affairs, Tokyo, Vol.13, No.2, p.6.

39 Chris Dixon, South East Asia in the World Economy, Cambridge University Press, Cambridge, 1991, p.18.

40 *Endaka* in Japanese means High Yen.

41 See Walden Bello, People & Power in the Pacific. The Struggle for the Post-Cold-War-Order, Pluto Pres, London, 1992, p.92.

Figure 3: Yen Appreciation and Its Effect on the NICs and ASEAN Economies



Source: Adapted from Shoichi Yamashita, Economic Development of the ASEAN Countries and the Role of Japanese Direct Investment, in Shoichi Yamashita (ed.), Transfer of Japanese Technology and Management to the ASEAN Countries, Tokyo University Press, Tokyo, 1991, p.6.

It is an open question if the scheme illustrated in figure 3 constitutes a more positive attitude to FDI and other non-manufacturing investment in Southeast Asia than Northeast Asia. Recent interviews with leaders and specialist in the ASEAN-4 points to the opposite.[42] They are consistently clear with the policy of free trade, all endorse it, but seek to postpone implementation: each insists that every state but his own should and can change its ways. Every other country has both the obligation and the ability to adopt more liberal trade and economic policies. All, in other words, make ritual obeisance to the altar of openness, but each insists that now is not quite the time for it. The point is illustrated in Thailand. In connection with growing expansion of FDI in the service industries a Thai banker insisted, Thailand's economy is 'not ready' for additional foreign banks. 'How could poor Thai farmers trust their life's savings to foreigners', he asked, in the same week when the Bangkok press was reporting yet another local bank failure and scandal.

In both Malaysia and Indonesia there are special distortions designed to advance the business and entrepreneurial roles of the indigenous Malay peoples.[43] Known as the *Pribumi* and *Bumiputra* policies, they also limit or control the internal significance of the local Chinese populations. These policies also interfere with the mobility of national and international capital, information and technology. A clear illustration is the field of intellectual property rights(patents, trademarks and copyrights). Businessmen in Thailand, Indonesia and Malaysia have copied and marketed, not only at home, but for export, products in which they have made no investment other than direct production costs. The manufacture in Thailand of pharmaceuticals based on American and European research, but without the benefit of royalty payments, is one example. Another illustration is the restrictions Southeast Asian governments regularly place against foreign-owned businesses. The most common are in the fields of insurance, advertising, construction, banking, and sometimes certain manufacturing sectors, where foreigners often have clear comparative advantage. In these and other fields, non-nationals regularly encounter blatantly protectionist policies, justified by various alleged 'special considerations' amounting essentially to exclusion.[44]

---

42 For this and the following see Bernard K. Gordon, Politics and Protectionism in the Pacific, Adelphi Papers No.228, International Institute for Strategic Studies, London, 1988, pp.11-12 and 55-56.

43 Thailand adopted similar anti-Chinese policies during the Sarit-regime in the 1960s and the Philippines during the Marcos period in order to enhance the 'Thaification' of the economy and develop an indigenous Filipino business class.

44 Another obvious example is the annually published *Priority Lists for Investment*, which lists most products and services that can be grown, manufactured, processed or provided. These *Priority Lists* seeks to stipulate what shall enter and what shall not.

Table 2 lists the position of the ASEAN-4 on the top 12 LDC exporters of manufactures to OECD in 1988, which presented over 85 percent of total LDC manufactured exports to this destination in million Dollars. As can be discerned from this table the total impact of trade and exports from the ASEAN-4 on the world economy is very small. But seen from Southeast Asia it is large and indeed the importance of other markets act as a counterbalance to the high dependency on the American market. Nevertheless, evidence points to the fact that the majority of manufactured exports consists of foreign-owned production (or at least joint ventures with an unequal partnership), which is outside the control of any government.[45]

As indicated in the preceding discussion trade has been an important component of industrial policy in the ASEAN-4. Although the early phase of industrial development gave emphasis to the replacement of imports, they sooner or later moved toward more manufacturing for exports. As early as 1970 Malaysia, the Philippines and Thailand began to focus on exports of manufactures. The Indonesian government recognized the need to expand non-oil exports, including manufactured exports during the Repelita III period (1978/79-83/84) owing to uncertain prospects of oil production and exports.[46] Another emerging component of ASEAN industrial policy in this period was the active encouragement of basic (heavy, major) industries. Some of these industries are natural resourcebased, and the four countries: "have understandably viewed the possible increases in domestic value added of their resource-based products and expansion of processed exports as an additional means of promoting industrialization. One could discern also from official pronouncements some element of economic nationalism seeking to correct what is perceived to be an existing colonial pattern."[47]

Turning to the export oriented strategy it seems to be an established fact that there has been little use of domestic raw materials. As Dixon notes, "The main areas of EOI development have been domestic- and foreign-funded labour-intensive manufacturing which remains heavily reliant on imported inputs."[48] A study of the economic performance of Economic Processing Zones (EPZs) in four Asian countries found that the benefits from EPZs are limited. "They

---

45 Consult Bello for this important point. Walden Bello, People & Power, op cit. pp.90-95.

46 Romeo M. Bautista, Industrial Policy and Development in the ASEAN Countries, Philippine Institute for Development Studies, Manila, 1983, p.26.

47 See Bautista for a comprehensive discussion of the strength and problems of ISI. Bautista, Industrial Policy, Ibid. pp.30.

48 Dixon, South East Asia, op cit.pp.154.

are definitely not 'engines of development'."[49] Although a shift from ISI to EOI became salient in the beginning of the 1970s many of the measures protecting import substituting industries have remained in place. In fact, they have increased in a number of ways as can be discerned from table 5.

The relative intensity of import substitution policies in the ASEAN-4 is reflected in the "effective protection rates" (EPRs) for import competing non-durable consumer goods. The estimated EPR in Malaysia was relatively low, at 20 percent in 1965 and 17 percent in 1970, but interestingly it increased again to 23 percent in 1982; in Thailand it was 45 percent in 1974 but it actually increased to 51.2 percent in 1988. Comparatively higher EPR estimates were obtained for the Philippines - 86 percent in 1965 and 77 percent in 1974. Once again the Philippines with its weak state capacity, and considerably control by the World Bank and IMF has lowered her EPR to barely 20 percent in 1984. And in Indonesia -137 percent in 1975 and 58 percent in 1980 up to 59 percent in 1990.[50] These findings are in line with a recent OECD study on the integration of developing countries into the international trading system. It concludes from a survey on trade policies of the Republic of Korea, Thailand, Brazil and India that, "the benefits from partial or reversed liberalization attempts are highly uncertain."[51] Despite of the evidence a continued call from the World Bank and IMF on trade liberalization in these countries is heard. In fact, the country with the lowest EPR in the East Asian region, the largest private-sector-oriented economy and very low price distortions is the Philippines. It has liberalized trade, the financial sector, and privatized state-owned enterprises more than most of its neighbours. Nevertheless, its economic performance is not impressive with the lowest growth rate and declines in per-capita income sharper than those in Sub-Saharan Africa and Latin America.[52]

The final point worth making about industrial promotion policies in the ASEAN-4 as they impinged on income equality and poverty concerns the related consequences on regional concentration and size structure of industries. As pointed out recently by Bautista, because import

---

49 Peter Warr, *Export Processing Zones*, in Chris Milner, Export Promotion Strategies. Theory and Evidence from Developing Countries, Harvester Wheatsheaf, Hempstead, 1990, p.159.

50 M. Ariff and H. Hill, Export-Oriented Industrialization: The ASEAN Experience, Allen and Unwin, Sidney, 1985, pp.85-91. For the latest figures mentioned in the text refer to table 4. See also the discussion in Marcus Noland, Pacific Basin Developing Countries. Prospects for the Future, Institute for International Economics, Washington D.C., 1990.

51 OECD, Integration of Developing Countries into the International Trading System, OECD, Paris, 1992, p.13.

52 World Bank, Sustaining Rapid Development, op cit. pp.16.

substituting industries relied heavily on imported materials and capital equipment, there was a strong inducement to locate plants near the source of supply, that is, the principal port (Manila, Jakarta, Bangkok, Klang K.L.). Import licensing and foreign exchange controls discriminated against the small and remote. Furthermore, the latter did not benefit much from the investment and export incentives from the Boards of Investments, BOIs in the Philippines, Thailand and one might add to Bautista's list, Malaysia and Indonesia. In sharp contrast to Taiwan's decentralized industrialization, there has been a marked regional concentration of manufacturing industries in the ASEAN-4.[53] This has serious implications for income distribution and poverty which is further problematic because of what Bautista terms, "the anti-agricultural price bias of government market interventions."[54] In the longer perspective it could prove serious to the sustainability of economic growth as also reflected in the latest five-year plans and the Year 2020 Plan in Malaysia where heavy emphasis is found on decentralization of investment and incentives.

To round off the discussion, I will consider the relationship between growth and equity. Due to government intervention to alter the distribution of income and wealth, Malaysia virtually eliminated poverty by 1990. But despite a relatively high per capita income, Malaysia shows the least egalitarian distribution of income among the ASEAN-4. In Thailand, however, there has been a near stagnation in poverty alleviation during the 1980s, despite rapid economic growth. This is in part due to growing disparities in income discrimination against agriculture, and the lagging expenditures in social sectors in recent years despite large fiscal surpluses. In general it does not seem to be overstated that the ASEAN-4 contrary to the NICs have emphasized economic policies promoting economic growth rather than income redistribution.

The greatest problem of them all, thus, seems to be the large, and often poor, agricultural population. The incorporation of these people into the growth process is possibly the most serious challenge facing policy-makers and planners.[55]

---

53 Romeo M. Bautista, Development Policy in East Asia, Economic Growth and Poverty Alleviation, ASEAN Economic Research Unit, ISEAS, Singapore, 1992, p.31.

54 Bautista, Development Policy, ibid. pp.46.

55 Jonathan Rigg, Southeast Asia. A Region in Transition, Unwin Hyman, London, 1991, pp. 203-204.

The Wider Context and Preliminary Findings

The present trade pattern in the ASEAN context (all but the Philippines) has been shaped by the underlying strategies of state bureaucracies and technocracies but with some backing by the executive power of governments and policy elites. At the same time, the inflow of FDI from Japan and to a lesser extent the NICs has become the major factor determining economic growth. The average economic growth rate has in particular followed closely the trends in the inflow of FDI from Japan. This patterns of external dependency creates a highly vulnerable situation in the long perspective even as growth continues in the short run.

As a tentative conclusion this paper argues that the causes of development and economic performance appears to be determined primarily by the domestic policy framework. But the external factors serves as the most decisive factor when it comes to the three most important impediments for the growth of the economy. These are the domestic control of foreign investment, loans, and ODA. These three factors taken together have more or less shaped the pattern of domestic policy-responses from the ASEAN-4. In addition a number of factors have been pointed out as external to the control of policy-makers such as growing protectionism, hidden or visible, in the core countries, regionalism in trade-blocks and fluctuations in commodity-prices. The sustainability of recent economic growth in the ASEAN-4 remains an open question but in the case of domestic industrial policies and the principles underlying trade policies points to the fact that there are no contradiction between free trade and protectionism. On the contrary, at least the ASEAN example illuminates that both strategies are two sides of the same coin. However, even with high protectionist barriers in each country, the material presented in this paper is not conclusive about the role of non-tariff barriers in each country. Further research needs to be done on the role of state intervention and regulation in the financial sector and in particular studies on how the state supports import substitution and export promotion through incentives and direct restrictions against foreign competitors.

Table 1: **Sectoral Share of GDP (percent) in the ASEAN-4**

	Agriculture 1970	Agriculture 1991	Industry 1970	Industry 1991	Services 1970	Services 1991
Indonesia	35.0	18.9	28.0	41.4	37.0	39.8
Malaysia	...	17.3	...	43.8	...	38.9
Philippines	28.2	22.8	33.7	35.0	38.1	42.2
Thailand	30.2	13.8	25.7	36.4	44.1	49.8

Source: Asian Development Bank, Asian Development Outlook 1992, Manila, 1992, Table A6, pp.293.

Table 2: **Leading LDC Exporters of Manufactures in 1988. Country Exports to OECD**

1.	Taiwan	43.902
2.	Korea, Rep. of	41.481
3.	Hong Kong	22.615
4.	China	18.788
5.	Mexico	17.613
6.	Singapore	13.278
7.	Brazil	10.753
8.	Malaysia*	5.729
9.	Thailand*	5.271
10.	India	4.603
11.	Philippines*	3.422
12.	Indonesia*	3.112

Source: OECD, COMEX database. OECD, 1992.

Table 3: **Indicators of the Extent of Openness of Selected DMCs to International Markets**

	Share of World Exports (percent) 1990	Average Annual Growth of Exports (percent) 1980s	Manufactured Exports to OECD Countries ($ billion) 1969	1989
Hong Kong	2.39	6.20	1.605	23.814
Korea	1.92	13.80	0.365	42.601
Singapore	1.59	8.10	0.063	16.815
Taipei, China	1.97	13.40	...	...
China	1.48	11.50	0.257	26.778
Indonesia*	0.73	2.40	0.022	4.612
Malaysia*	0.48	9.80	0.034	7.761
Philippines*	0.24	1.30	0.111	4.291
Thailand*	0.70	12.80	0.030	8.197
Bangladesh	0.05	7.60	0.000	0.882
India	0.55	5.80	0.608	8.125
Myanmar	0.01	-11.70	0.004	0.027
Nepal	0.05	11.20	0.002	0.177
Pakistan	0.17	8.50	0.193	2.357
Sri Lanka	0.05	6.70	0.008	0.913
Papua New Guinea	0.05	6.40	0.13	0.031

Source: Asian Development Bank, Asian Development Outlook 1992, Manila, 1992, p.272

Table 4: Imports from developing countries as a share of consumption[a] (percent)

	1968	1974	1980	1984	1988
EC[b]	1.1	1.7	2.7	2.9	2.9
North America	0.8	1.8	2.4	3.1	4.1
Japan	0.9	1.7	1.7	1.7	1.8
Total	**0.9**	**1.7**	**2.4**	**2.9**	**3.1**

a) All manufactures.

b) Membership of the EC grew from 6 to 12 during this period.

Source: UNCTAD.

Table 5: Trade Protection in East Asia and the Pacific: Selected Economies

	Average Nominal Tariff (Unweighted)		Percent of Import Items Subject to Import Restrictions		Effective Protection Rate in Manufacturing
	Early 1980s	Current	Early 1980s	Current	Current
Korea	25.0 (1980)	18.0 (1988)	31.4 (1980)	4.6 (1988)	28.2 (1982)
Indonesia	37.0 (1982)	22.0 (1991)	31.5 (1986)	16.3 (1988)	59.0 (1990)
Malaysia	11.6 (1980)	13.6 (1985)	< 5 (1980)	< 5 (1985)	23.0 (1982)
Philippines	43.1 (1980)	27.9 (1991)	37.0 (1980)	8.0 (1990)	20.0 (1984)
Thailand	31.0 (1981)	34.0 (1985)	< 5 (1981)	< 5 (1991)	51.2 (1988)

Note: Effective Protection Rate (EPR) for Thailand excludes agro-processing and uses value-added at world prices as weights. Using the more standard weighting of value-added at domestic prices yields an EPR of 60.7 in 1988.

Source: The World Bank, Sustaining Rapid Development, Office of the Vice-President, East Asia and Pacific Region, the World Bank, Washington D.C., 1993, Table 31 p.74.

DEVELOPMENT RESEARCH SERIES

WORKING PAPERS:

No. 1: *Olav Jull Sørensen*: Marketing Issues in Peasant Agricultural Development, 55pp, 1983.

No. 2: *Hans Gullestrup*: The Ecol-Humanistic Technology - the new Technology as Experiences from the Past, 33pp, 1983.

No. 3: *Georg Sørensen*: Transnationals and the Transfer of Technology to the Third World, 31pp, 1984.

No. 4: *Georg Sørensen*: International Bureaucracies and Aid: The Political Economic of the 'B-Share', 11pp, 1984.

No. 5: *Georg Sørensen*: Notes on Materialism and Boredom - Western Development Ideals, 12pp, 1984.

No. 6: *Olav Jull Sørensen*: Marketing Systems and Economic Development. An Institutional-Structural Approach, 41pp, 1984.

No. 7: *Georg Sørensen*: How much Poison is Another Man's Meat? - Notes on the Logic of World Systems Analysis, 29pp, 1984.

No. 8: *Georg Sørensen*: Peace and Development: Looking for the Right Track, 18pp, 1984.

No. 9: *Georg Sørensen*: The Twists and Turns of Development Theory - A Comment on "The European Experience" by Dieter Senghaas. 19pp, 1984.

No. 10: *Jacques Hersh & Ellen Brun*: Aspects of Soviet Participation in a Shifting World Economy. 45pp, 1984.

No. 11: *Olav Jull Sørensen*: Marketing System Development and Labour Migration: Analysis and Consequences. 41pp, 1984.

No. 12: *Georg Sørensen*: How Cold is the Second Cold War? - An Assessment of the Scope of 'the Great Contest'. 23pp, 1984.

No. 13: *John E. Kuada*: Agricultural Development in the Third World. 23pp, 1984.

No. 14: *Olav Jull Sørensen*: Profiles of Tanzanian Peasants and their Marketing Implications. 52pp, 1984.

No. 15: *Jørgen Kristiansen*: Urban Passenger Transport in Developing Countries - Socio-economic Impact and the Choice of Technology. 58pp, 1985.

No. 16: *John E. Kuada*: Marketing Systems in a Development Process. 35pp, 1985.

No. 17: *Georg Sørensen*: Some Contradictions in a Rich Concept on Development. 14pp, 1985.

No. 18: *Olav Jull Sørensen*: Marketing of Agricultural Inputs/Implements and Profiles of Farmers in Kenya: Project Preparations. 47pp, 1986.

No. 19: *Georg Sørensen*: Development Through the Eyes of a Child. 17pp, 1986.

No. 20: *Georg Sørensen*: International and External Intertwined: 5 Obstacles to Development in India. 20pp, 1986.

No. 21: *John E. Kuada*: Macro-Micro Integrated Framework for Market Opportunity Analysis and Project Selection. 14pp, 1986.

No. 22: *Olav Jull Sørensen*: Co-operatives: Movement-to-Movement Cooperation. Some Conceptual Views. 15pp, 1986.

No. 23: *John E. Kuada*: Financing Rural Food Marketing Systems in Ghana. 16pp, 1986.

No. 24: *Hans Gullestrup*: "Kultur, kulturanalyse og kulturetik - eller hvad adskiller og hvad forener os?" 84pp, 1987.

No. 24a: *Hans Gullestrup*: "Kultur, kulturanalyse og kulturetik - eller hvad adskiller og hvad forener os?", (2. reviderede udgave), 92pp, 1988.

No. 25: *John E. Kuada*: Food Marketing in Ghana, the Role of Rural Food Traders. 53pp, 1988.

No. 26: *Henrik A. Nielsen*: Monitoring Rural Development in Bangladesh. 22pp, 1989.

No. 27: *Hans Gullestrup*: Det etiske dilemma i det interkulturelle samvirke, eller: Bistandsmedarbejderens personlige problem. 26pp, 1991.

No. 28: *Chaiwoot Chaipan*: Current Issues on Economic Development in East and Southeast Asia. 24pp, 1991.

No. 29: *Henrik Nielsen:* Databased Information on Danida-Projects 1962-91: Overview and Analysis of the Daniproj-Database. 55pp, 1992.

No. 30: *Hans Gullestrup*: Evaluating Social Consequences of Social Changes in the Third World Countries. 24pp, 1993.

No. 31: *Johannes Dragsbæk Schmidt*: In The Shadow of the Pacific Century - Comparative Perspectives on Externalities Influence on Economic Policy-Making in Southeast Asian Would-be NICs. 106pp, 1993.

No. 32: *Henrik A. Nielsen:* Local Community Development Around the Bay of Bengal: Context, Crises and Perspectives (Report from the Researcher Training Seminar), 27pp, 1994.

No. 33: *Johannes Dragsbæk Schmidt:* Southeast Asian State Responses to a Regionalized World Economy. 21pp, 1994.

No. 34: *Johannes Dragsbæk Schmidt:* Semi-autonomy in Economic Policy-making: The Case of Thailand. 28pp, 1994.

No. 35: *Johannes Dragsbæk Schmidt:* Increasing Exports in a Decreasing World Market: The Role of Developmental States in the ASEAN-4. 27pp, 1994.

No. 36: *Johannes Dragsbæk Schmidt:* State Capacities and Bargaining Strategies in the Global Disorder. 19pp, 1994.

No. 37: *Samir Amin:* The Future of Global Polarization. 17pp, 1994.

No. 38: *Peter Cunningham:* The Re-affirmation of State Socialism. The South African Debate. 15pp, 1994.

No. 39: *Andre Gunder Frank:* Nothing New in the East: No New World Order. 30pp, 1994.